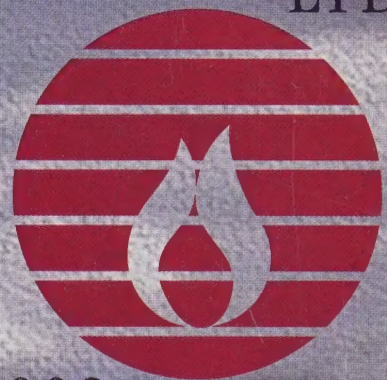


AR31

ORBIT
OIL & GAS
LTD.



1992

ANNUAL
REPORT

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ANNUAL MEETING

The Annual Meeting of the Shareholders of Orbit Oil & Gas Ltd., will be held on Tuesday, May 18, 1993 at 10:00 a.m. in the Westin Hotel, 4th Avenue and 3rd Street S.W., Calgary, Alberta, Canada.

ANNUAL INFORMATION FORM

Copies of the Company's Annual Information Form as filed with the Ontario Securities Commission are available upon written request free of charge to all shareholders of record and beneficial owners of shares. Requests should be directed to the Corporate Secretary at the Company's head office.

CORPORATE PROFILE

Orbit Oil & Gas Ltd. is an independent Canadian energy company engaged in the exploration for, development and production of oil and natural gas. Orbit has a base of proved and prospective oil and natural gas properties in Alberta and Northeastern British Columbia.

Orbit conducts its operations jointly with two associated companies. The companies jointly conduct exploration and development operations and share common management. The Joint Venture reduces overhead costs and increases the Group's "critical mass" and its ability to effectively compete in the industry.

Orbit's exploration and development strategy is to target natural gas in the Western Canadian basin. The Joint Venture will expand existing natural gas reserves in order to meet the natural gas reserve obligations of existing contracts and explore in areas where new contracts may be obtained.

The Joint Venture's natural gas marketing strategy is based on the development of a number of long-term contracts supplying gas to geographically diversified users with secure transportation arrangements.

HIGHLIGHTS

FINANCIAL	1992	1991	1990
<i>(in thousands unless otherwise indicated)</i>			
Total Revenue	\$ 10,714	\$ 10,834	\$ 11,181
Funds Flow From Operations	\$ 5,428	\$ 5,393	\$ 5,689
Funds Flow Per Common Share	\$ 0.22	\$ 0.21	\$ 0.23
Net Earnings (Loss)	\$ 1,446	\$ (10,161)	\$ (12,683)
Earnings (Loss) Per Common Share	\$ 0.02	\$ (0.56)	\$ (0.69)
Total Assets	\$ 35,467	\$ 34,612	\$ 46,349
Capital Expenditures	\$ 4,922	\$ 5,156	\$ 7,896
Long-Term Debt	\$ 8,481	\$ 10,581	\$ 9,235
Common Shares Outstanding			
Average	19,886	20,033	19,932
At year end	19,964	19,890	20,042

OPERATING

Production (Before Royalties)			
Natural gas (BCF)	5.5	5.5	4.2
Average daily production (MMCF/D)	15.0	15.0	11.5
Oil and natural gas liquids (MBLS)	216	231	242
Average daily production (BBLS/D)	591	633	663

DRILLING ACTIVITY

Gas Completions	4	6	12
Oil Completions	2	1	1
Dry and Abandoned	2	4	2
Total	8	11	15

RESERVES

Before Royalties			
Natural gas (BCF)	79.8	74.1	74.4
Oil and natural gas liquids (MSTB)	1,442	1,427	1,546
After Royalties			
Natural gas (BCF)	61.5	56.3	56.5
Oil and natural gas liquids (MSTB)	1,143	1,136	1,230

UNDEVELOPED LAND HOLDINGS (NET ACRES)

Alberta	39,416	55,290	42,342
British Columbia	31,584	20,618	28,869
Saskatchewan	6,969	2,421	1,468
Total	77,969	78,329	72,679

PRESIDENT'S MESSAGE

TO THE SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to report satisfactory financial and operating results and significant growth in the size and quality of the Company's reserves base for the year ended December 31, 1992.

This is especially gratifying as extremely low natural gas prices during the first quarter of 1992 resulted in great concern regarding the outlook for the natural gas industry and the Company. The steady recovery in natural gas prices, which started in April 1992, combined with increasing natural gas production commencing late in 1992, gives the Company reason for optimism about the outlook for 1993. In addition, the more optimistic outlook for the natural gas industry further enhances the Company's medium-term prospects.

NATURAL GAS INDUSTRY RECOVERY

Despite continued growth in United States natural gas demand, prices declined precipitously in February of 1992, similar to the price decline of the prior year. While this appeared inconsistent with low industry activity, low levels of natural gas replacement and increased demand, the low prices caused great concern regarding the outlook for Canadian gas exports to the United States.

From early April, 1992 however, a combination of factors which included reports of:

- ▶ *low 1991 U.S. reserve replacement;*
- ▶ *Oklahoma and Texas plans for natural gas prorationing;*
- ▶ *unusually low natural gas storage levels; and*
- ▶ *more responsible natural gas marketing practices by major companies,*

stabilized natural gas markets and resulted in an upward price trend which has continued into 1993.

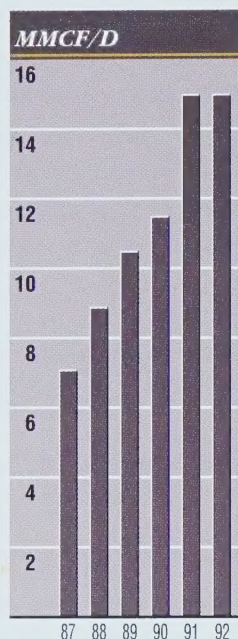
An apparent deliverability shortfall in Alberta, as a result of a colder than average winter and increased sales to the United States, has also had a positive impact on Canadian natural gas prices.

An objective analysis of the natural gas supply and demand situation strongly suggests that the period of surplus deliverability which has lasted for almost 15 years, known as the gas bubble, has ended and tighter natural gas supply and higher natural gas prices should now prevail for several years.

The Company's business plan long envisaged a tightening of U.S. supply and a rapid gas price increase when supply and demand came into balance. I am therefore extremely pleased that the Company's decision in 1989, to redirect its focus to natural gas and increase its natural gas reserve base and production level, has been rewarded.

A tighter natural gas market will be very favourable to companies such as Orbit, which have substantial natural gas reserves, contracts and the infrastructure and transportation commitments to deliver natural gas to long-term end users.

GAS PRODUCTION



FINANCIAL

The Company's production revenues increased to \$12.1 million in 1992 from \$11.9 million in 1991, primarily due to higher natural gas prices, which offset a decrease in processing revenue. Cash expenses decreased modestly and Orbit's funds flow from operations remained unchanged at \$5.4 million, or \$0.22 per share, after dividends.

During 1992, the Company reinvested slightly more than its funds flow from operations in order to take maximum advantage of attractively priced natural gas acquisition opportunities. Orbit's acquisition program was successful in replacing its 1992 natural gas production by 230% and its oil production by 41% while reinvesting only 113% of funds flow from operations. As a result, Orbit has increased its natural gas production to a record of 20 MMCF/D in January 1993, at a time when natural gas prices appear to be trending upwards.

At the end of the first quarter of 1993, Orbit entered into an agreement to issue 3.3 million units at a price of \$1.25 per unit. The units consist of one common share and one half of one common share purchase warrant. One warrant entitles the holder to purchase an additional common share at a price of \$1.50 until October 30, 1994.

During the year the Company's management structure was changed to conform to the other companies in the Joint Venture Group. The changes comprised of R.W. Lamond being appointed President, C.A. Teare being appointed Executive Vice-President and Chief Financial Officer and P.M. Boechler being appointed Controller.

OUTLOOK

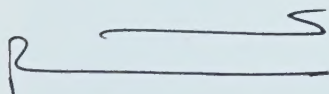
Orbit is currently producing record volumes of natural gas for sale under a diverse portfolio of long-term natural gas contracts. The Company is in sound financial condition and is poised to benefit from the improving situation as:

- ▶ *the North American economic indicators now confirm that a steady recovery is occurring; and*
- ▶ *the outlook for natural gas demand appears excellent, as a result of economic growth and the expanding use of natural gas as an environmentally favourable fuel.*

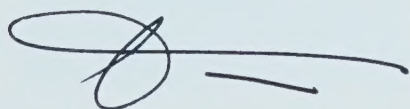
Consequently, the outlook for Orbit is excellent. Management's challenge is to achieve growth by focusing on the expansion of its natural gas assets while maintaining financial prudence.

Due to Orbit's sound financial structure and the positive outlook for the natural gas business, the Company intends to maintain its capital reinvestment rate at 100% of funds flow from operations in 1993. With the Company's previous record of expansion under very difficult financial and business conditions, I am confident of an even more successful result in a much more positive economic setting.

On behalf of the Board.



R.W. Lamond
President



C.A. Teare
Executive Vice President

April 6, 1993



CORPORATE STRATEGY

Orbit's corporate strategy is to develop a natural gas reserves base and revenue stream with which to maximize its participation in the current growth phase of the natural gas industry, while developing and managing the exploitation of its oil properties.

Orbit's business plan is based on the view that the Canadian natural gas industry will steadily improve due to the continued deterioration of the natural gas supply in the United States and the resulting increase in demand for natural gas imports from Canada.

One of the keys to Orbit's corporate strategy has been the acquisition of a portfolio of long-term development contracts. These contracts allow Orbit to develop a portion of the required reserves and production over a period of years and permit the acquisition, exploration and development of natural gas reserves to be undertaken and financed with assurance that the new reserves can be produced immediately and sold under satisfactory pricing terms and rates of production.

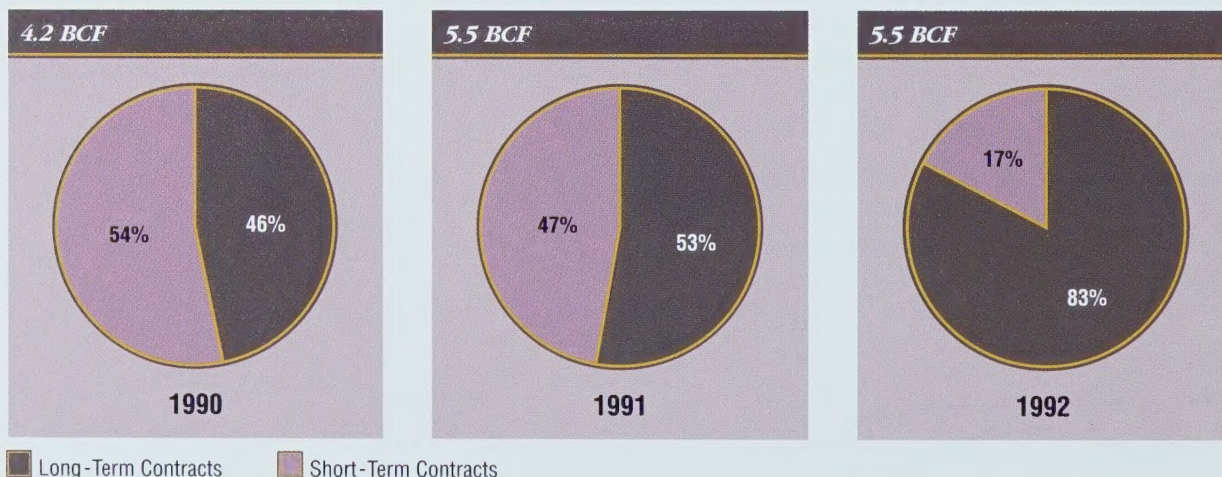
Long-term contracts have historically yielded higher prices than those available to spot markets in Alberta. While short-term prices have risen recently due to an Alberta deliverability shortage, it is anticipated

that long-term contracts in which buyers and sellers trade off price for supply assurance and guaranteed pipeline capacity, should continue to yield higher prices and allow for better long-term planning based on predictable revenue streams. Orbit therefore plans to continue to expend a high proportion of available funding to acquire natural gas reserves and deliverability, to maintain and expand such contracts.

Orbit's strategy for developing natural gas reserves is based on a balanced program of acquisitions, exploration and exploitation of natural gas properties with the Company's efforts focused on the least costly method of adding reserves and production. In 1992, the program focused almost entirely on acquisitions, however with increasing gas prices, the Company has returned to a more balanced approach and will expand its planned exploration and development program for 1993.

Orbit's oil production continued to provide diversification of its revenue sources from which to finance its business plan. In addition, Orbit's base of oil properties provides an opportunity for growth through the use of technological developments including infill and horizontal drilling, to enhance current oil production.

GAS CONTRACTS – SALES TERM



OPERATING MANDATE

Due to financial constraints and problems in the energy business during the 1980's Orbit has operated pursuant to the following principal mandates:

► *FINANCIAL CONTROL*

Orbit attempts to match its capital expenditures to funds flow from operations and equity financing. The only significant exception to this policy was a decision to finance the major expansion and development of the Helmet gas field, and the construction of the Helmet gas gathering and compression system in 1990 and 1991, to supply gas committed to long-term purchasers.

► *EXPLORATION JOINT VENTURES*

The Company operates under a joint management and resource development structure with two associated companies — the Czar Group. This arrangement provides Orbit with lower overhead costs and the economic synergy of a larger financial and natural gas reserves base, which permit access to a wider range of business opportunities.

► *EXPLORATION FOCUS*

Orbit concentrates its activities in specific geographic areas of the Western Canadian sedimentary basin, the Czar Group operates virtually all its prospects and Orbit participates for working interests as large as its joint venture arrangements and financial guidelines permit.

The Company primarily explores in select areas where sizeable reserves can be developed and where the Company can build and control the production facilities and pipeline infrastructure.

NATURAL GAS INDUSTRY

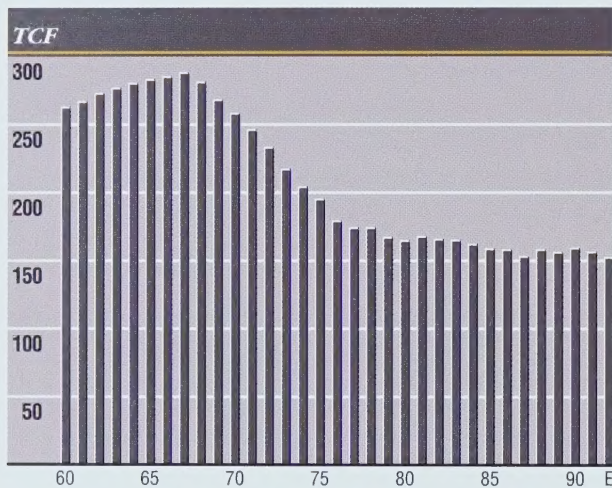
Orbit's business plan was developed on the premise that natural gas is a North American energy commodity in a mature phase of its development cycle, and that the United States natural gas supply is in an irreversible decline, a trend which would eventually result in a shortage and price recovery.

This has been demonstrated by the steady decline of natural gas reserves in the lower 48 United States since 1969. As a result, the reserve life index of natural gas in the lower 48 United States was reduced

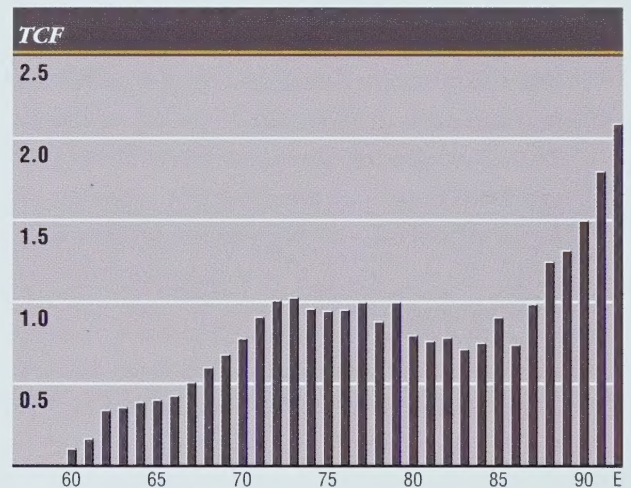
to approximately nine years by the end of 1992, the lowest ratio in more than a decade.

Another indicator that United States domestic gas supply has not kept pace with its growing demand is the increase in natural gas imports from Canada, from 750 billion cubic feet in 1986 to over two trillion cubic feet in 1992. During this period, Canadian imports have captured a steadily higher portion of the United States market, increasing from 4.6% in 1986 to over 10% of United States consumption in 1992.

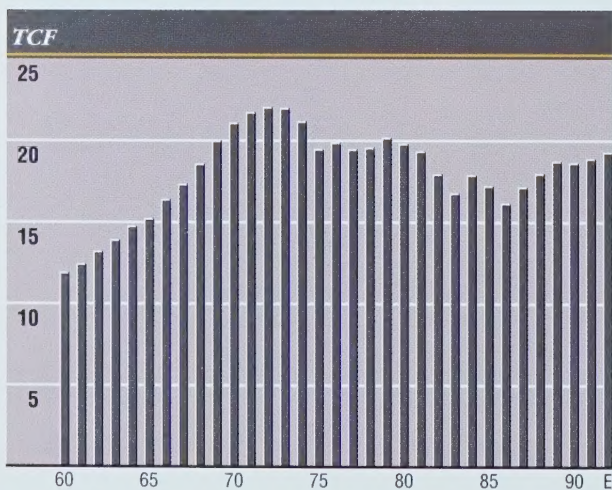
U.S. GAS RESERVES (Lower 48 States)



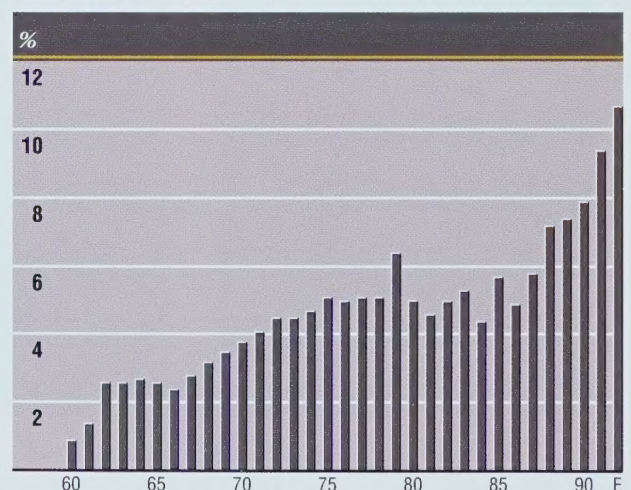
CANADIAN GAS EXPORTS



U.S. NATURAL GAS CONSUMPTION



CANADIAN SHARE OF U.S. GAS MARKET

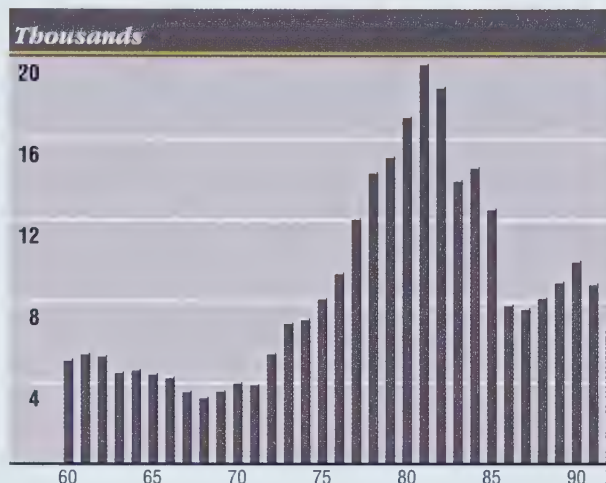


With these positive fundamentals, it was therefore very surprising that U.S. gas prices collapsed in early 1992, with Gulf Coast spot prices reaching lows of \$1.00 U.S./MCF. Due to the extremely depressed market, a number of major companies commenced shutting in production during this period of low prices. Shortly afterwards, the poor 1991 U.S. gas replacement statistics, debate regarding proration plans in Oklahoma and Texas and low gas storage levels combined to firm gas prices and stabilize the market as concerns were raised about available supply. Prices subsequently trended up to over \$2.00 U.S./MCF, a level at which most shut in gas would have been placed back on stream. With gas prices having remained high during the 92-93 winter heating season, it now appears that the United States gas supply had approached a balance with demand, almost coincidentally with the price collapse in February, 1992. It now appears certain that the decade long gas commodity cycle has come full circle.

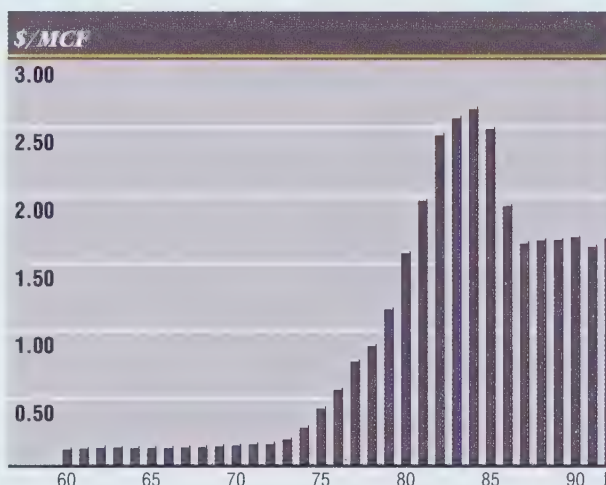
The period of gas oversupply and low prices has resulted in low drilling levels, low discovery rates and increased demand. Though gas drilling picked up substantially in late 1992 in the United States, the bulk of those wells appear to have been the result of an expiring program providing a tax credit for coal gas drilling. When the tax credit program expired at the end of 1992, natural gas drilling levels collapsed again.

The very lengthy period which it took to achieve this balance has been surprising and has resulted in what in retrospect may be imprudent natural gas marketing practices in the natural gas industry. The switch from long-term contracts to contracts of very short duration will clearly result in significant curtailment problems during periods of shortage and should result in a progressive return to a higher level of industry activity based on higher gas prices and longer term contracts.

GAS WELLS DRILLED – U.S.



WELLHEAD PRICE – U.S.



Prospects appear excellent for Canadian natural gas producers with long-term gas reserves and contracts. The Western Canadian basin has been more sparsely drilled than the more mature United States basins, and opportunities for finding and developing large new pools of natural gas still exist. The opportunities to acquire low cost gas reserves either through exploration or acquisition are excellent and will play a significant role in Orbit's plans to increase reserves and export more natural gas to the United States at steadily improving prices.

NATURAL GAS MARKETING

CORPORATE OBJECTIVES

Orbit's natural gas marketing objectives are as follows:

- ▶ *to market natural gas reserves at optimum prices and rates of take;*
- ▶ *to market natural gas to end users in geographically diversified locations, thereby reducing the Company's exposure to localized market fluctuations; and*

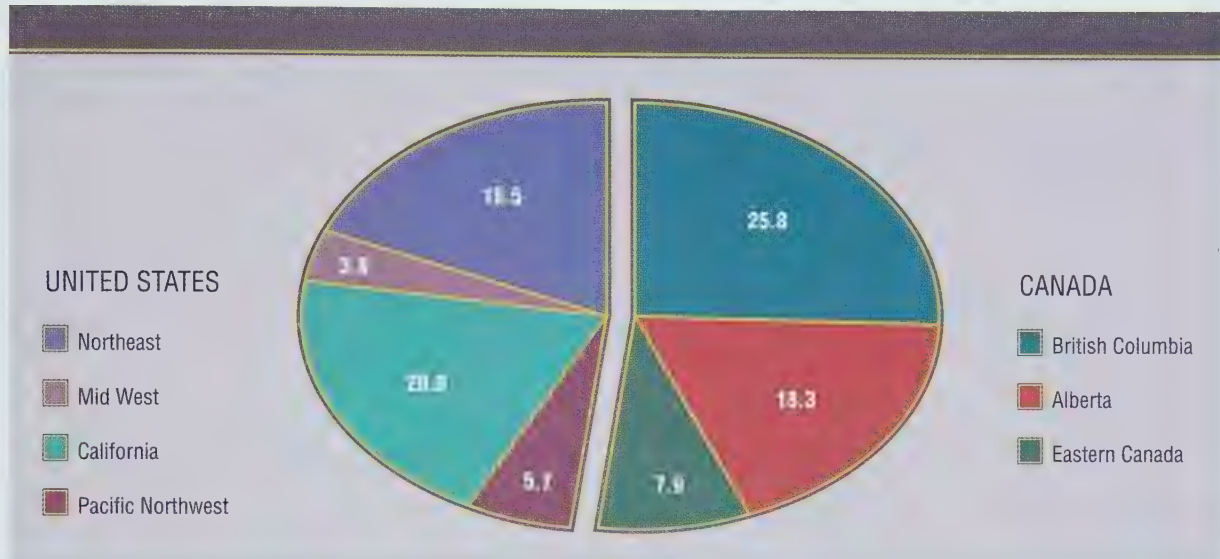
- ▶ *to search for new market opportunities with potential for high rates of take, attractive pricing, long-term outlets and opportunities to expand reserves and deliverability through the term of the contract.*

The portfolio of long-term contracts arranged by the Czar Group totals in excess of 745 BCF of gross contracted reserves and includes the following key contracts:

NATURAL GAS CONTRACT PORTFOLIO

Purchaser	Gross Contract Reserves (BCF)	Gross Daily Contract Quantity, (DCQ) (MMCF/D)	ORBIT'S NET PRODUCTION			
			1991		1992	
			(MMCF/D)	%	(MMCF/D)	%
British Columbia						
Alberta & Southern Gas Co. Ltd.	220.0	40.0	1.9	12.7	2.9	19.3
BC Gas Inc.	185.0	30.0	—	—	2.9	19.3
CanWest Gas Supply Inc.	105.0	28.0	0.7	4.7	0.7	4.7
Pacific Northern Gas	7.7	2.0	—	—	0.2	1.3
Alberta						
KannGaz Producers Ltd.	86.7	16.6	2.1	14.0	2.6	17.4
Unigas Corporation	40.0	10.8	0.6	4.0	0.3	2.0
ProGas Limited	51.5	9.0	0.2	1.3	0.2	1.3
Sherritt Fertilizer Company	50.0	16.0	1.1	7.3	1.6	10.7
Other Long-Term	—	—	0.5	3.3	1.1	7.3
Total Long-Term Sales	—	—	7.1	47.3	12.5	83.3
Total Short-Term Sales	—	—	7.9	52.7	2.5	16.7
Total Sales	745.9	152.4	15.0	100.0	15.0	100.0

DISTRIBUTION OF GAS SALES – YEAR ENDED DECEMBER 31, 1992



DIVERSIFICATION OF NATURAL GAS MARKETS

The portfolio of natural gas contracts and accompanying distribution of gas sales graph for 1992 illustrates Orbit's success in achieving diversity of its natural gas markets. The marketing strategy is comprised of the following elements:

- ▶ *to market the gas through a number of natural gas aggregators and to a large number of end users, ensuring markets are in geographically diversified locations;*
- ▶ *to maximize sales under long-term contracts to known reliable purchasers;*
- ▶ *to limit the Company's exposure in any one market region to approximately 20% of the total sales; and*
- ▶ *to monitor political and regulatory activities which may impact on current and future gas contracts in all of its potential markets.*

THE BRITISH COLUMBIA MARKET

The British Columbia market accounts for 26% of Orbit's sales. Although this exceeds the Company's objective of 20%, it includes spot sales which are periodically necessary to maximize the use of long-term firm transportation. With growing demand and increased load factors for long-term contracts, it is anticipated that this percentage will decline.

THE CALIFORNIA MARKET

The California market is significant to Orbit in that 20% of the Company's gas is contracted to Alberta & Southern Gas Co. Ltd. (A&S) for ultimate delivery largely to the northern California utility, Pacific Gas and Electric Company (PG&E), making this the second largest market for Orbit's gas.

As a result of continuing negotiations involving the California Public Utilities Commission (CPUC), the U.S. Federal Energy Regulatory Commission (FERC), the Canadian National Energy Board and the Alberta Government, the producers have commenced negotiations with A&S and PG&E to restructure the contracts. The key issues of the restructuring include financial compensation for the loss of an assured quality market, access to pipeline space for new sales and the retention of a portion of the contract for continuing sales to PG&E.

Orbit believes that a negotiated settlement with A&S and PG&E is achievable and the Company expects that its British Columbia gas will continue to flow at satisfactory rates and prices.

MEGA NOPR

In another development, FERC has issued a proposed notice to open up access on the U.S. pipeline systems, referred to as the MEGA Notice of Proposed Rulemaking, or MEGA NOPR. If implemented in its current form, it could have a significant negative impact on gas prices and gas contract load factors. Although the outcome cannot be accurately predicted, the Company is guardedly optimistic that its long-term contracts will remain competitive, especially in this period of firming U.S. demand and gas prices.

GROWTH OPPORTUNITIES

Through the portfolio of existing natural gas sales contracts, the Czar Group has the opportunity to contract and tie-in an additional 150 BCF of natural gas and deliverability of up to 30 million cubic feet per day over the next three years.

In addition to maintaining the existing contracts, the Czar Group has an excellent opportunity to expand its gas contract base and pursue new long-term development contracts during a period of strengthening demand and gas prices.

PRODUCTION

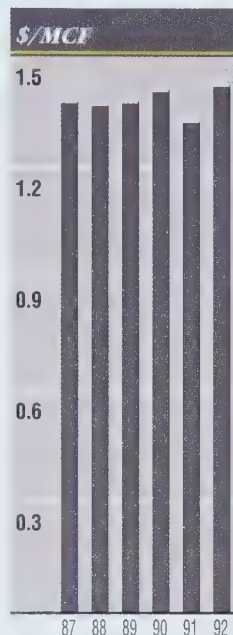
During 1992, Orbit's natural gas production averaged 15 MMCF/D, unchanged from 1991. However, additional natural gas production from wells acquired and connected during the last quarter of 1992, resulted in Orbit reaching record production volumes, in January 1993, of 20 MMCF/D.

Orbit's natural gas reserves base consists of reserves in both Alberta and British Columbia which allows Orbit to access attractive, geographically diverse markets.

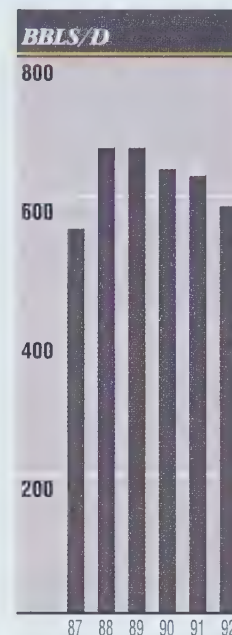
During the year, the Company continued to expand its production capability in the Helmet area to meet increasing contract requirements. This effort included the connection of a new well, Helmet c-20-A, which commenced production at a rate of 9 MMCF/D. Orbit completed two significant acquisitions in the Helmet area at the end of 1992. As a result of these purchases and increasing contract demands, the Company initiated a third significant expansion project in as many years which was completed just before year end. The expanded facilities and the connection of two additional wells increased production from Helmet by 18 MMCF/D, resulting in total sales from the area of 75 MMCF/D, in December 1992. Finally, in early 1993, the Company connected a high deliverability Keg River well to the Helmet system. This well, in which Orbit holds a 15% interest is presently producing at a rate of 9.5 MMCF/D.

During 1992, the Company acquired and connected five additional wells in the Drumheller, Stettler South, Wembley, Hylo and Craigend areas and increased production in Alberta by an average of 1.4 MMCF/D net to Orbit.

**ORBIT'S AVERAGE
WELLHEAD PRICE**



**OIL & NGL
PRODUCTION**



Orbit's focus on natural gas as opposed to oil is reflected in its oil production declining over the past three years. This was partially offset by production from the Owl well drilled in the first quarter of 1992 in British Columbia. This well was placed on stream in early 1992 and is currently producing at an average of 64 BBLS/D, 18 BBLS/D net to Orbit. Orbit's oil and NGLs production averaged 591 BBLS/D in 1992 compared to 633 BBLS/D in 1991.

ACQUISITION AND EXPLORATION PROGRAM

DRILLING RESULTS

	Gas Wells		Oil Wells		Dry Holes		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1992	4	1.4	2	0.3	2	0.5	8	2.2
1991	6	1.7	1	0.5	4	0.8	11	3.0
1990	12	2.7	1	0.7	2	0.6	15	4.0
1989	8	2.2	4	1.1	7	2.1	19	5.4
1988	13	3.4	4	0.7	4	0.7	21	4.8
1987	8	1.3	21	4.4	11	1.9	40	7.6
	51	12.7	33	7.7	30	6.6	114	27.0

During 1992, Orbit's capital expenditures aggregated \$4.9 million compared to \$5.2 million in 1991. During the year, Orbit concentrated primarily on acquisitions and as a result, participated in drilling only eight wells during 1992, of which four were gas wells, two were oil wells and two were dry.

The collapse of natural gas prices in the spring of 1992, resulted in a decrease in the cost of acquiring natural gas reserves. At the same time, an increased number of productive properties were available from restructuring and downsizing companies. As a result, during 1992 Orbit focused on the evaluation and acquisition of natural gas properties rather than exploration activities. This program enabled the Company to add reserves and production to its existing asset base at lower prices and with lower risk than through exploration.

The highlight of the acquisition program was the purchase of assets in the July Lake portion of the Helmet field. This purchase, together with a subsequent acquisition of other interests in the Helmet area added approximately 8.4 BCF net to Orbit and allowed for a more efficient plan of exploitation and development of the reserves.

In Alberta, wells were purchased at Wembley, Hylo, Drumheller, Stettler South and Craigend, and were placed on stream by year end, adding 2.5 BCF of proved and probable reserves net to Orbit.

Subsequent to the year end, Orbit's capital expenditures program was modified with the Company's efforts returning to a balance between exploration, acquisitions, enhanced recovery from oil properties through horizontal drilling technology and production facility construction.

In the first quarter of 1993, Orbit will be participating in the drilling of three wells in Alberta. Two are oil prospects and one is a natural gas prospect. After break-up, the Company plans additional activity in Alberta and British Columbia on both oil and natural gas prospects.

In addition, the Company owns interests varying from 4.2% to 50% in approximately 2,100 acres of land in the Birch area of British Columbia in the vicinity of two recently announced highly productive horizontal oil wells. Orbit and its partners have announced plans to drill at least one horizontal well on this prospect immediately following break-up, in the second quarter of 1993.

RESERVES

The reserves of the Company were evaluated as at December 31, 1992 by an independent engineering consultant, Fekete Associates Inc. According to the evaluation, Orbit's reserve base consists of 79.8 BCF of natural gas and 1,442 MSTB of oil and natural gas liquids.

During 1992, Orbit's efforts were focused on the acquisition of natural gas reserves. The Company acquired 10.9 BCF of natural gas, the majority of which was producing or has since been connected. Orbit also added 1.0 BCF of gas reserves and 88.9 MSTB of oil and natural gas liquids reserves through drilling. Based on the capital expenditures of \$4.9 million incurred in 1992, the on stream cost of the reserves additions was \$0.36 per equivalent MCF of gas.

The disposition of certain non-core properties reduced the Company's natural gas reserves by 2.4 BCF while revisions to the Company's reserves increased gas by 0.9 BCF and oil and NGLs by 144 MSTB.

During 1992, Orbit produced 5.5 BCF of natural gas and 216.2 MSTB of liquids.

As a result of reserve additions exceeding production, at December 31, 1992 Orbit's total proved and probable natural gas reserves had increased by 8% and oil and NGLs reserves had increased by 1%.

RESERVES

	Before Royalties		After Royalties	
	Natural Gas (BCF)	Oil & NGLs (MSTB)	Natural Gas (BCF)	Oil & NGLs (MSTB)
Proved Producing	34.5	1,169.4	27.1	934.0
Proved Non-Producing	40.4	268.4	30.7	206.1
Total Proved	74.9	1,437.8	57.8	1,140.1
Probable	4.9	3.8	3.7	3.0
Total Proved and Probable	79.8	1,441.6	61.5	1,143.1

ESTIMATED PRESENT VALUE OF FUTURE NET REVENUE (\$MILLIONS)

	Undiscounted	10%	15%	20%
Proved Producing	\$50.5	\$31.9	\$27.5	\$24.3
Proved Non-Producing	41.5	15.1	10.3	7.4
Total Proved	92.0	47.0	37.8	31.7
Probable	7.0	1.7	1.0	0.6
Total Proved and Probable	\$99.0	\$48.7	\$38.8	\$32.3

PRESENT VALUE

The estimated future revenue from Orbit's oil and gas reserves as determined by Fekete is based on an average natural gas price of \$1.45/MCF in 1993 escalating to \$1.81/MCF by 1998 and at approximately 4% per year thereafter. The current price estimates for 1993 are higher than those forecast in 1992 while the rate of future price escalation is lower. The effect of the change in price estimates is to decrease the value of the future revenue from the reserves from \$112.1 million at December 31, 1991 to \$99.0 million at December 31, 1992. The discounted present value

of the future revenue is affected to a lesser extent. Using a discount rate of 15%, the present value of the estimated future revenue from the Company's reserves increased by 5% to \$38.8 million at December 31, 1992 compared with \$37.0 million at December 31, 1991.

The average price received by the Company for its natural gas in 1992 was \$1.43/MCF. An increase in natural gas price has a significant impact on the present value of Orbit's reserves.

SUMMARY OF NATURAL GAS PRODUCTION AND RESERVES BY PROVINCE

	1992		1991		1990	
	BCF	%	BCF	%	BCF	%
Alberta						
Proved Producing	15.3	19%	16.5	22%	15.6	21%
Proved Non-Producing	19.3	24%	21.1	29%	23.2	31%
Total Proved	34.6	43%	37.6	51%	38.8	52%
Probable	3.1	4%	1.8	2%	1.2	2%
Total Alberta	37.7	47%	39.4	53%	40.0	54%
British Columbia						
Proved Producing	19.2	24%	16.1	22%	12.9	17%
Proved Non-Producing	20.3	26%	17.3	23%	20.2	27%
Total Proved	39.5	50%	33.4	45%	33.1	44%
Probable	1.8	2%	1.3	2%	1.3	2%
Total British Columbia	41.3	52%	34.7	47%	34.4	46%
Saskatchewan						
Proved Producing	—	0%	—	0%	—	0%
Proved Non-Producing	0.8	1%	—	0%	—	0%
Total Saskatchewan	0.8	1%	—	0%	—	0%
Total Reserves	79.8	100%	74.1	100%	74.4	100%
Production						
Alberta	2.5	45%	2.3	42%	2.2	52%
British Columbia	3.0	55%	3.2	58%	2.0	48%
	5.5	100%	5.5	100%	4.2	100%

RESERVE CONTINUITY

Natural Gas (BCF)		Proved	Probable	Total
Reserves at December 31, 1990		71.9	2.5	74.4
Production 1991		(5.5)	0.0	(5.5)
Additions 1991	– Exploration	0.8	0.0	0.8
	– Net Acquisitions	2.1	0.0	2.1
Revisions		1.7	0.6	2.3
Reserves at December 31, 1991		71.0	3.1	74.1
Production 1992		(5.5)	0.0	(5.5)
Additions 1992	– Exploration	1.0	0.0	1.0
	– Net Acquisitions	10.9	0.8	11.7
	– Disposals	(2.4)	0.0	(2.4)
Revisions		(0.1)	1.0	0.9
Reserves at December 31, 1992		74.9	4.9	79.8
Natural Gas Liquids (MSTB)				
Reserves at December 31, 1990		610.0	6.7	616.7
Production 1991		(50.3)	0.0	(50.3)
Additions 1991	– Exploration	0.0	0.0	0.0
	– Net Acquisitions	1.6	0.0	1.6
Revisions		52.8	(1.2)	51.6
Reserves at December 31, 1991		614.1	5.5	619.6
Production 1992		(53.4)	0.0	(53.4)
Additions 1992	– Exploration	0.0	0.0	0.0
	– Net Acquisitions	0.0	0.0	0.0
	– Disposals	(2.8)	0.0	(2.8)
Revisions		142.0	(1.7)	140.3
Reserves at December 31, 1992		699.9	3.8	703.7
Oil (MSTB)				
Reserves at December 31, 1990		929.4	0.0	929.4
Production 1991		(180.8)	0.0	(180.8)
Additions 1991	– Exploration	25.1	0.0	25.1
	– Net Acquisitions	59.9	0.0	59.9
Revisions		(26.0)	0.0	(26.0)
Reserves at December 31, 1991		807.6	0.0	807.6
Production 1992		(162.8)	0.0	(162.8)
Additions 1992	– Exploration	61.5	0.0	61.5
	– Net Acquisitions	27.4	0.0	27.4
	– Disposals	0.0	0.0	0.0
Revisions		4.2	0.0	4.2
Reserves at December 31, 1992		737.9	0.0	737.9

SUMMARY OF OIL AND NATURAL GAS LIQUID PRODUCTION AND RESERVES BY PROVINCE

	1992		1991		1990	
	MSTB	%	MSTB	%	MSTB	%
Alberta						
Proved Producing	1,045.6	73%	1,069.8	75%	1,057.8	68%
Proved Non-Producing	249.4	17%	264.3	18%	326.4	21%
Total Proved	1,295.0	90%	1,334.1	93%	1,384.2	89%
Probable	–	0%	–	0%	–	0%
Total Alberta	1,295.0	90%	1,334.1	93%	1,384.2	89%
British Columbia						
Proved Producing	95.6	7%	42.0	3%	95.5	6%
Proved Non-Producing	19.1	1%	21.0	1%	31.5	2%
Total Proved	114.7	8%	63.0	4%	127.0	8%
Probable	3.8	0%	5.5	1%	6.7	1%
Total British Columbia	118.5	8%	68.5	5%	133.7	9%
Saskatchewan						
Proved Producing	28.1	2%	24.6	2%	28.2	2%
Proved Non-Producing	–	0%	–	0%	–	0%
Total Saskatchewan	28.1	2%	24.6	2%	28.2	2%
Total Reserves	1,441.6	100%	1,427.2	100%	1,546.1	100%
Production						
Alberta	199.9	93%	223.0	97%	229.2	97%
British Columbia	13.1	6%	5.0	2%	5.9	3%
Saskatchewan	3.1	1%	3.1	1%	–	0%
	216.1	100%	231.1	100%	235.1	100%

FINANCIAL

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

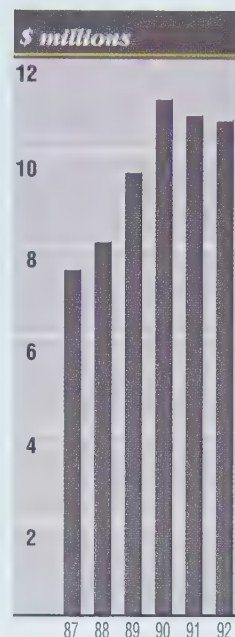
Orbit's financial and operating results for 1992 were similar to the results for 1991. Total revenue for 1992 was \$10.7 million compared with \$10.8 million in 1991. Funds flow from operations was unchanged at \$5.4 million, or \$0.22 per share after preferred share dividends. Earnings for 1992 were \$1.4 million, \$0.02 per share after preferred share dividends compared with a loss of \$10.2 million or \$0.56 per share in 1991.

The most significant difference between the financial results for 1992 and 1991 were depletion and depreciation expenses. In 1991, the Company wrote-down the carrying value of Orbit's oil and gas assets due to extremely low gas prices. This resulted in excess depletion expenses of \$9.8 million. Improved gas prices and additions to the Company's reserves base during 1992 increased carrying values pursuant to the asset ceiling test and depletion expenses equalled \$0.52 per equivalent MCF of production.

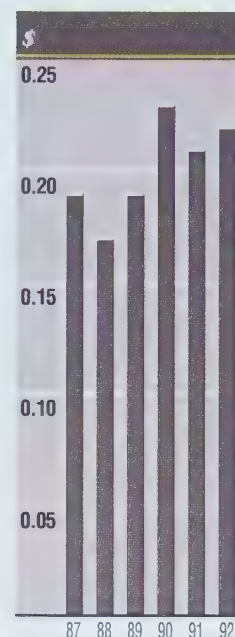
REVENUE

In 1992, natural gas sales were \$7.8 million, or 65% of the Company's sales revenue compared with \$7.1 million, or 60% of Orbit's 1991 sales revenue. The increase was entirely the result of an increase in the natural gas prices. Production volumes remained constant at 5.5 BCF. Oil sales accounted for 28% of 1992 revenue and NGL sales made up the remaining 7% of revenue.

TOTAL REVENUE



FUNDS FLOW PER SHARE - BASIC



PRODUCTION

Approximately 45% of Orbit's natural gas volumes were produced in Alberta, with the balance produced in British Columbia. Ninety-five percent of Orbit's oil was produced in Alberta.

British Columbia

Orbit's focus over the past several years has been on the development of natural gas reserves and increasing deliverability for natural gas sales contract requirements in British Columbia. This has resulted in a steady increase in British Columbia natural gas sales as a percentage of the Company's total gas sales. This trend reversed in 1992 as both the absolute volume and the percentage of production from British Columbia declined. During 1992, declines in production rates in some of the Company's older pools more than offset production gains in the Helmet area. An average of 55% of Orbit's 1992 gas production was from British Columbia where the Company's production averaged 8.2 MMCF/D. As the price of gas at the wellhead is lower in British Columbia than in Alberta, the increase in the percentage of gas produced in Alberta is partially responsible for the increase in the Company's average gas price.

Orbit anticipates its British Columbia gas production will increase in 1993 as a result of the acquisition of a significant interest in the Helmet area, effective December 31, 1992.

Substantially all of the Company's British Columbia reserves are dedicated to long-term contracts, however, short-term gas sales are used from time to time to optimize the availability of long-term firm pipeline capacity.

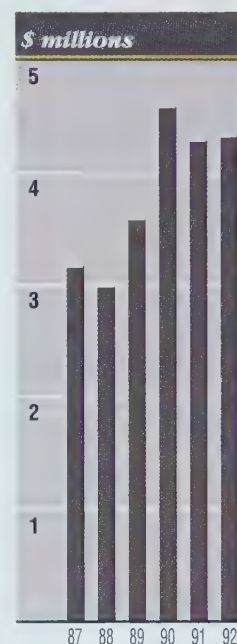
Alberta

Orbit's Alberta production increased to an average of 6.8 MMCF/D for 1992. Additional production from wells connected late in 1991 in the Drumheller area offset production declines. During 1992, Orbit participated in the acquisition and connection of five wells in the Drumheller, Gadsby, Wembley, Hylo and Craigmend areas of Alberta. This increased deliverability, combined with higher levels of demand during the year, resulted in an 8% increase in natural gas production in Alberta during 1992.

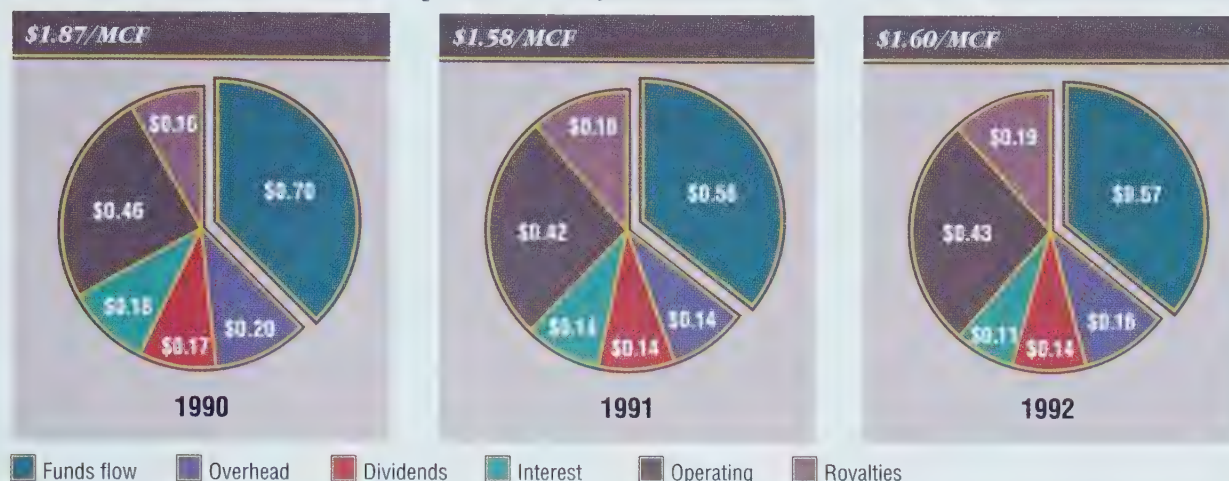
Oil production during 1992 from Alberta properties declined to 415 BBLS/D or by 16% due to declines in rates from some of the older producing fields. The acquisition of oil reserves at Davey during 1992 will help to slow the decline in oil production and several oil exploration and development wells are planned for 1993.

Substantially all of the Company's natural gas is dedicated to long-term natural gas contracts. Orbit's contracts in Alberta and British Columbia provide the Czar Group with the opportunity to add approximately 150 BCF of reserves and 30 MMCF/D of deliverability over the next three years, providing the Company opportunities for growth.

FUNDS FLOW
(After Dividends)



DISTRIBUTION OF REVENUE (PER EQUIVALENT UNIT)



PRODUCT PRICES

The most significant factor in Orbit's increase in oil and gas sales revenue was the increase in average gas price, from \$1.30/MCF for 1991 to \$1.43/MCF for 1992. Natural gas prices fell sharply in February of 1992, however, a number of factors affected the supply including reports of unusually low inventory levels in the spring of 1992, more responsible marketing practices by the major corporations, the introduction of prorationing in two key States, an interruption in Gulf Coast supply due to a hurricane and generally colder weather than in previous years. As a consequence, gas prices rebounded and escalated to the current levels of approximately \$2.00 U.S./MCF.

At the writing of this report, low storage levels throughout North America and shortfalls in deliverability from Alberta are being reflected in high gas prices on the futures market, indicating a likely continuation of the current high price environment throughout 1993.

AVERAGE PRODUCT PRICE BEFORE ROYALTY

	Natural Gas \$/MCF	Natural Gas Liquids \$/BBL	Oil \$/BBL
1992	1.43	15.42	21.21
1991	1.30	15.57	21.73
1990	1.41	18.25	26.30
1989	1.37	13.21	20.25
1988	1.36	11.63	17.20
1987	1.37	16.01	23.04

Oil prices declined by 2% during 1992 to \$21.21 per barrel. During the first half of 1992, Orbit sold approximately 50% of its oil production forward. However, as price stability replaced the extreme volatility of 1990 and 1991, the Company did not continue forward production sales during 1992. Natural gas liquid prices remained constant, averaging \$15.42 per barrel during the year.

EXPENSES

Orbit's operating expenses remained at \$3.3 million during 1992 or \$0.43 per equivalent MCF compared to \$0.42 per equivalent unit during 1991. Increased natural gas production levels from existing fields such as Helmet in British Columbia, during 1993 should result in a reduction in operating expenses on an equivalent unit of production basis.

General and administrative costs increased to \$1.7 million, before capitalization, from \$1.5 million in 1991. This was partially due to increases in salary and employee benefit costs and in addition Orbit recovered less from capital overhead charges as capital expenditures on drilling and production facilities decreased. During 1992, Orbit capitalized \$523,000 of general and administrative costs compared to \$413,000 during 1991, with the rate of capitalization increasing moderately from 28% to 31%.

DEPLETION AND DEPRECIATION

At December 31, 1992, Orbit's proved natural gas reserves were 3.9 BCF higher after production of 5.5 BCF during the year. In addition, Orbit's reserves of oil and NGLs also increased slightly. As a result of the decrease in the Company's asset base due to the 1991 write-down and the increased 1992 reserves, Orbit's depletion rate decreased from \$0.64 per equivalent MCF in 1991 to \$0.49 per equivalent MCF in 1992.

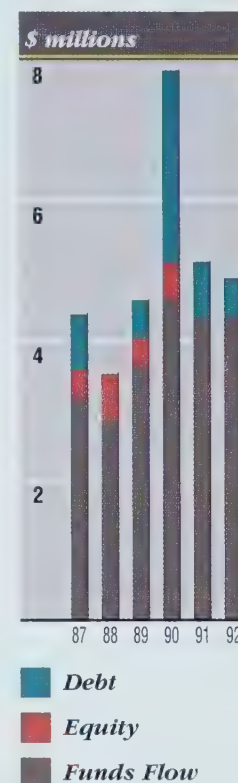
CAPITAL EXPENDITURES

Orbit's capital expenditure program was reduced to \$4.9 million in 1992 from \$5.2 million in 1991. Orbit's focus during 1992 was on the acquisition of natural gas reserves. When gas prices declined sharply in February of 1992, Orbit found the acquisition of reserves to be the most attractive method of adding reserves. During 1992, Orbit acquired 11.9 BCF of natural gas reserves and 89 MSTB of oil. During the year, Orbit increased its long-term debt slightly as capital expenditures exceeded funds flow from operations by 13%.

INCOME TAXES

Orbit has not recorded any provision for current or deferred income taxes. Income tax deductions available to Orbit exceed the book value of its assets by approximately \$16 million. The value of these tax deductions has not been recognized in the financial statements and therefore, Orbit will not be required to record a current or deferred income tax provision in the near future.

FINANCING OF CAPITAL EXPENDITURES



LIQUIDITY AND CAPITAL RESOURCES

The Company's credit facility with its bank is \$11.5 million of which \$7.9 million was outstanding at December 31, 1992. The Company's credit facility does not have specific repayment requirements, however it is reviewed annually by the bank to determine the new "lending base" of the Company's oil and gas assets. Orbit has the option to convert the loan to a production loan repayable over six years. Orbit therefore, has no current debt retirement requirements and is able to fully utilize its funds flow from operations and undrawn lines of credit in expanding its reserve base and related facilities for production of its reserves.

Subsequent to the year end, Orbit raised \$4.1 million through an equity issue. The proceeds will be used to reduce the Company's bank debt.

Debt servicing costs in 1992 declined due to lower interest rates on the Company's outstanding credit facility with its banker. During 1992, Orbit fixed the interest rate on \$5 million of its credit facility, to July 1997, at 8.62%. In 1993, Orbit began to purchase for cancellation the Class A Preferred Shares Series 2. Orbit is obliged to use its best effort to repurchase these shares in the market at a rate of 1% per quarter. This will reduce the dividend requirement of the Company as the preferred shares are repurchased.

SENSITIVITY ANALYSIS

Orbit's revenues, funds flow from operations and earnings are dependent upon changes in the economic environment within which it operates. As part of its normal operations, Orbit endeavours to control variables which can be controlled at a reasonable economic cost. Revenue, funds flow from operations and earnings are sensitive to changes in product pricing.

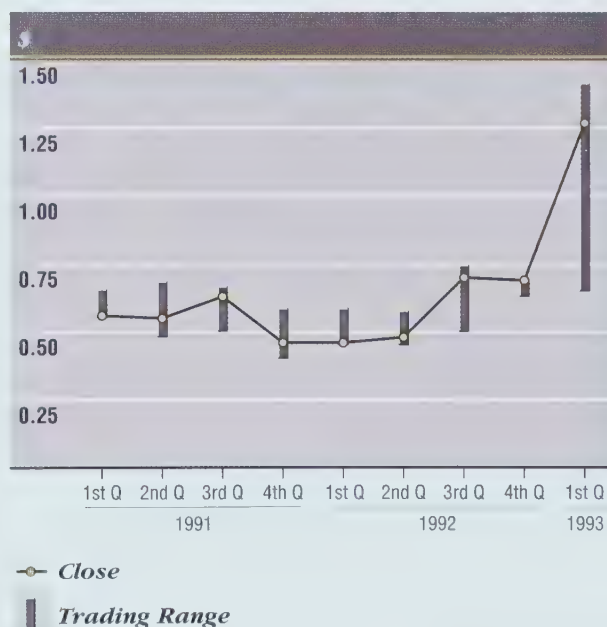
The Company has fixed the interest rate on all of its outstanding bank indebtedness for a period of five years at 8.62% and therefore has no current sensitivity to changes in interest rates.

The following table demonstrates the potential effect of changes in prices on Orbit's funds flow and earnings, based on the average results from the year ended December 31, 1992 with natural gas production of 15 MMCF/D, oil and NGL production of 591 BBLS/D, prices of \$1.43/MCF and \$21.21/BBL, royalties after ARTC of 11% and operating costs of \$0.43 per MCF.

Key Variable	Change in Variable	Impact on Annual Funds Flow	
		\$000	\$/Share ¹
Natural gas			
Production MMCF/D	1.0	\$308	\$0.02
Price \$/MCF	\$0.10	\$487	\$0.02
Oil and NGLs			
Production BBLS	100	\$532	\$0.03
Price \$/BBL	\$1.00	\$192	\$0.01

¹ Per share calculations are based on outstanding shares at December 31, 1992.

ORBIT SHARE TRADING HISTORY



CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31

(in thousands of dollars)

1992

1991

ASSETS

CURRENT ASSETS

Cash	\$ 15	\$ 99
Accounts receivable	1,482	1,793
Marketable securities (Note 3)	1,149	1,161

2,646 3,053

PROPERTY, PLANT AND EQUIPMENT (Note 4)

32,821 31,559

\$ 35,467 \$ 34,612

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 4,228	\$ 1,871
Current portion of long-term debt	349	255

4,577 2,126

LONG-TERM DEBT (Note 5)

8,481 10,581

OTHER LIABILITIES (Note 6)

614 511

13,672 13,218

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 7)

Preferred shares, Series 2	9,510	9,510
Preferred shares, Series 3	3,966	3,966
Common shares	7,642	27,944
Contributed surplus	321	247

21,439 41,667

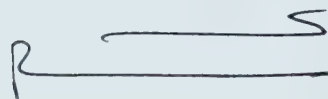
RETAINED EARNINGS (DEFICIT)

356 (20,273)

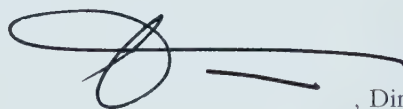
21,795 21,394

\$ 35,467 \$ 34,612

Approved by the Board:



, Director



, Director

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

YEARS ENDED DECEMBER 31

<i>(in thousands of dollars except per share amounts)</i>	1992	1991
REVENUE		
Production	\$ 12,131	\$ 11,921
Royalties	(1,798)	(1,901)
Alberta royalty tax credit	355	478
Other	25	336
	10,714	10,834
EXPENSES		
Production	3,252	3,284
General and administrative	1,224	1,076
Interest on long-term debt	810	1,081
Depletion and depreciation	3,892	14,763
Write-down of marketable securities	90	490
	9,268	20,694
EARNINGS (LOSS) BEFORE EQUITY LOSS	1,446	(9,860)
EQUITY LOSS (Note 1(a))	—	(301)
NET EARNINGS (LOSS)	1,446	(10,161)
DEFICIT AT BEGINNING OF YEAR	(20,273)	(9,022)
Authorized reduction of share capital applied to deficit	20,273	—
Preferred Share Dividends	(1,090)	(1,090)
RETAINED EARNINGS		
(DEFICIT) AT END OF YEAR	\$ 356	\$ (20,273)
PER COMMON SHARE (Note 1(c))		
Net Earnings (Loss)	\$ 0.02	\$ (0.56)

CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH

YEARS ENDED DECEMBER 31

<i>(in thousands of dollars except per share amounts)</i>	1992	1991
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net earnings (loss)	\$ 1,446	\$ (10,161)
Non-cash items	3,982	15,554
FUNDS FLOW FROM OPERATIONS	5,428	5,393
Change in non-cash working capital	2,590	(1,413)
	8,018	3,980
INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	(4,922)	(5,156)
Abandonment costs	(63)	(5)
	(4,985)	(5,161)
FINANCING ACTIVITIES		
Capital lease obligations	(6)	163
Bank credit facility	(2,000)	1,300
Issue of common shares	82	70
Purchased common shares for cash and cancelled	(37)	(151)
Decrease in deferred revenue	(66)	(3)
Preferred share dividends	(1,090)	(1,090)
	(3,117)	289
DECREASE IN CASH	(84)	(892)
CASH AT BEGINNING OF YEAR	99	991
CASH AT END OF YEAR	\$ 15	\$ 99
PER COMMON SHARE (Note 1(c))		
Funds flow from operations	\$ 0.22	\$ 0.21
Fully diluted funds flow from operations	\$ 0.19	\$ 0.18

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts in thousands of dollars)

The Company is subject to the Business Corporations Act (Alberta) and its shares are listed on The Toronto Stock Exchange. The Company explores for, develops and produces petroleum and natural gas principally in Western Canada.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements for 1992 and 1991 include the accounts of the Company and its subsidiary, which is wholly-owned. During 1991, Aurora Gold Ltd., was merged with Frobisher Resources Ltd. The Company ownership of the new company, Canadian Frobisher Resources Ltd., is 20% and in 1992 and 1991 the investment in Canadian Frobisher Resources Ltd. is classified as a marketable security. The Company's share of Aurora Gold Ltd.'s loss for the period from January 1, 1991 to the date of the merger is reflected as an equity loss in the 1991 Consolidated Statement of Operations.

(b) Petroleum and Natural Gas Operations

The Company follows the full cost method of accounting for petroleum and natural gas operations. Under this method all costs of exploration for and development of petroleum and natural gas reserves are capitalized by cost centre. A separate cost centre is established for each country in which the Company operates, presently Canada. Costs include lease acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead charges directly related to exploration activities.

The costs related to each cost centre together with costs of production equipment, related facilities, site restoration and abandonment costs are depleted and depreciated using the unit-of-production method based on estimated gross proved reserves in each cost centre, as determined by independent consulting engineers. Natural gas reserves and production are converted into equivalent barrels of oil based upon the relative energy content of each product. The capitalized costs less accumulated depletion and depreciation in each cost centre are limited to an amount equal to the estimated future net revenues from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties less estimated future site restoration and abandonment costs.

The total capitalized costs net of accumulated depletion and depreciation of all cost centres and less deferred income taxes is further limited to an amount equal to the estimated future net revenues from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties of all cost centres less estimated future site restoration and abandonment costs, financing costs, general and administrative expenses and income taxes. Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

The Company's activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(c) Net Earnings and Funds Flow per Common Share

Net earnings and funds flow per common share are calculated using the weighted average number of common shares outstanding during the year of 19,886,281 (1991 – 20,033,397). The calculation of funds flow per common share is based on funds flow from operations and after deducting preferred share dividends.

2. JOINT OPERATIONS

Effective May 1, 1989, the Company entered into a joint venture and management agreement with Czar Resources Ltd. (Czar), a corporation with certain common directors, officers and shareholders.

Pursuant to this agreement, the Company and Czar share overhead costs and jointly participate in new exploration, development, and acquisition activities. The Company reimburses Czar for its proportionate share of costs and expenses in providing overhead services based upon the relative revenue and capital expenditures of the two companies. All oil and gas activities conducted on properties acquired subsequent to May 1, 1989, are conducted with Czar in a sharing ratio established annually. As a result of the activity under the joint venture, the amount owing to Czar recorded in accounts payable and accrued liabilities at December 31, 1992, was \$1,367,000 (1991 – \$477,000). All balances incurred from the joint venture are settled on a monthly basis.

All of the Companies activities were conducted through the joint venture during 1992 and 1991. The Company's share of general and administrative costs with respect to operations of the joint venture were 34.2% of the common general and administrative costs incurred by the joint venture.

3. MARKETABLE SECURITIES

	1992	1991
Marketable securities, at lower of cost and fair market value	\$ 1,149	\$ 1,161
Market value	\$ 2,104	\$ 1,229

4. PROPERTY, PLANT AND EQUIPMENT

	1992	1991
Petroleum and natural gas properties	\$ 85,194	\$ 80,272
Accumulated depletion and depreciation	(52,373)	(48,713)
	\$ 32,821	\$ 31,559

Petroleum and natural gas properties include exploration and development costs and equipment thereon. During the year the Company capitalized \$523,000 (1991 – \$413,000) of overhead charges related to exploration activities.

In applying the full cost ceiling test, the following year end product prices were used:

	1992	1991
Oil (per bbl)	\$ 23.40	\$ 22.36
Natural gas (per mcf)	\$ 1.43	\$ 1.32

In 1991, as a result of calculating the ceiling test, the Company wrote-down the carrying value of its oil and gas properties by \$9,800,000 which is included in the depletion and depreciation charge of \$14,763,000.

5. LONG-TERM DEBT

	1992	1991
Bank credit facilities (i)	\$ 7,900	\$ 9,900
Obligations under capital lease (ii)	930	936
	8,830	10,836
Less current portion	349	255
	\$ 8,481	\$ 10,581

- (i) The Company's credit facility arrangement, is subject to review at June 30 each year and provides for a \$11,500,000 revolving line of credit, bearing interest at the bank prime rate plus $\frac{1}{4}\%$. At the annual review, the Company has the option to convert the credit facility to a term loan, whereby the available facility limit is reduced by equal amounts over six (6) years.

The credit facility is secured by an assignment of accounts receivable, the assignment of certain petroleum and natural gas properties under Section 177 of the Bank Act and a first floating charge debenture on all the assets of the Company.

During 1992, the Company fixed the interest rate payable on \$5.0 million of its outstanding credit facility at a rate of 8.62% until July 15, 1997.

- (ii) Obligations Under Capital Lease

Future lease payments are as follows:

1993	\$ 427
1994	381
1995	257
1996	12
	1,077
Less: Amounts representing interest averaging 12.25%	147
	930
Less: Current portion	349
	\$ 581

6. OTHER LIABILITIES

	1992	1991
Deferred Revenue (i)	\$ 61	\$ 127
Site Restoration Costs	553	384
	\$ 614	\$ 511

- (i) Pursuant to the provisions of certain gas purchase contracts, the Company has received payments for gas to be delivered at future dates. The Company is required to deliver a minimum of 10% of the prepaid gas in each contract year and, accordingly, \$42,000 has been classified as a current liability.

7. CAPITAL STOCK

(a) Authorized

50,000,000 Class A Preferred Shares, issuable in series
 50,000,000 Class B Preferred Shares, issuable in series
 50,000,000 Common Shares without nominal or par value

The Class A Preferred Shares, Series 2 are entitled to fixed, cumulative, preferential, cash dividends accruing from the date of issue at a rate of \$0.75 per share per annum, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year. During each calendar quarter commencing January 1, 1993, Orbit is required to make all reasonable efforts to purchase for cancellation, at a price not exceeding \$10.00 per share, 1% (4% per annum on a non-cumulative basis) of these shares outstanding at the close of business on December 31, 1992.

The Class A Preferred Shares, Series 3 are entitled to fixed, cumulative, preferential, cash dividends accruing from the date of issue at a rate of \$0.85 per share per annum, as and when declared by the Board of Directors, payable quarterly on the last day of March, June, September and December in each year. The shares are convertible to Common Shares of the Company on the basis of 8.75 common shares for each preferred share prior to June 30, 1993 and are redeemable at a price equal to \$10.00 per share from June 30, 1991, to December 31, 1993. During each calendar quarter commencing January 1, 1994, Orbit is required to make all reasonable efforts to purchase for cancellation, at a price not exceeding \$10.00 per share, 1% (4% per annum on a non-cumulative basis) of these shares outstanding at the close of business on December 31, 1993.

(b) Issued

	Number of Shares	Amount
CLASS A PREFERRED SHARES, SERIES 2		
Balance December 31, 1991 and 1992	977,400	\$ 9,510
CLASS A PREFERRED SHARES, SERIES 3		
Balance December 31, 1991 and 1992	419,805	\$ 3,966
COMMON SHARES		
Balance December 31, 1990	20,042,032	\$ 28,272
Pursuant to employee savings plan	126,897	70
Purchased for cash and cancelled	(278,500)	(398)
Balance, December 31, 1991	19,890,429	27,944
Authorized reduction of share capital	—	(20,273)
For cash on exercise of stock options	12,000	6
Pursuant to employee savings plan	138,968	76
Purchased for cash and cancelled	(77,500)	(111)
Balance, December 31, 1992	19,963,897	\$ 7,642
CONTRIBUTED SURPLUS		
Balance, December 31, 1990		\$ —
Excess of average value of common shares over cash required to purchase and cancel		247
Balance, December 31, 1991		247
Excess of average value of common shares over cash required to purchase and cancel		74
Balance, December 31, 1992		\$ 321

(c) Shares Reserved

At December 31, 1992, common shares were reserved for issue as follows:

1,475,500 shares in respect of options granted to directors, officers and employees to acquire shares at \$0.50 per share from time to time to July 1995, and 21,000 shares at an exercise price of \$0.56 per share from time to time until August 20, 1997.

3,673,290 shares in respect of the conversion of the Class A Preferred Shares, Series 3.

(d) Employee Savings Plan

The employee savings plan provides for employee savings of up to 5% of salary which is matched by the Company in the form of common shares of the Company. During the year ended December 31, 1992, employees became entitled to receive 138,968 common shares (1991 – 126,897).

8. INCOME TAXES

The provision for income taxes in the consolidated statement of operations and retained earnings (deficit) varies from the amount that would be computed by applying the expected tax rate of 44% (1991 – 44%) to earnings before income taxes. The principal reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows:

	1992	1991
Computed "expected" income tax expense	\$ 636	\$ –
Increase (decrease) in income taxes resulting from:		
Non-deductible royalties, taxes, lease rentals		
less provincial rebates	596	619
Federal resource allowance	(666)	(410)
Alberta Royalty Tax Credit	(156)	(210)
Non-deductible depletion	128	425
Non-recognition of tax loss carry forward	(538)	(566)
Non-deductible equity loss	–	133
Other	–	9
Actual income tax expense	\$ –	\$ –

The Company has tax deductions of approximately \$49,000,000 available for deduction related to its petroleum and natural gas assets to reduce income taxes payable in Canada.

9. SUBSEQUENT EVENT

Special Warrants

On March 26, 1993, the Company agreed to issue 3,300,000 Special Warrants at an issue price of \$1.25 per Special Warrant on a private placement basis. Each Special Warrant entitles the holder to acquire one common share and one-half common share purchase warrant without the payment of any additional consideration. One common share purchase warrant plus \$1.50 entitles the holder to acquire one common share prior to October 30, 1994. The Company has an obligation to file, and use its best efforts to obtain a receipt for, a prospectus qualifying the distribution of the common shares and common share purchase warrants issuable upon exercise of the Special Warrants with certain regulatory authorities. If such receipts are not issued by August 12, 1993 the holders of the Special Warrants will be entitled to receive, an amount equal to \$0.0125 per Special Warrant in each month or part thereof, that a receipt is not issued subject to a maximum of \$0.10 per Special Warrant. Gross proceeds to the Company from the issuance of the Special Warrants will be \$4,125,000 before deducting the fees and expenses incurred in connection with the sale of the Special Warrants.

MANAGEMENT REPORT

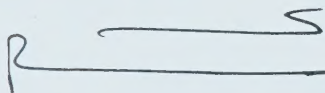
TO THE SHAREHOLDERS OF ORBIT OIL & GAS LTD.

The management of Orbit Oil & Gas Ltd. is responsible for the preparation of all information included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and where necessary, include amounts based on management's informed judgements and estimates. Financial information included elsewhere in this Annual Report is consistent with the consolidated financial statements.

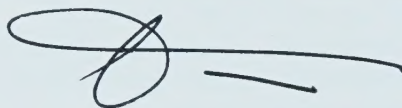
Management maintains an appropriate system of accounting and administrative controls to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable financial statements. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations.

Price Waterhouse, Chartered Accountants, appointed by the shareholders, have audited the financial statements and conducted a review of internal accounting policies and procedures to the extent required by generally accepted auditing standards, and performed such tests as they deemed necessary to enable them to express an opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee includes a majority of independent directors who are not employees of the Company. The Committee reviews the financial content of the Annual Report and meets regularly with management and Price Waterhouse to discuss internal controls, accounting, auditing and financial matters. The Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.



President
March 26, 1993



Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ORBIT OIL & GAS LTD.

We have audited the consolidated balance sheets of Orbit Oil & Gas Ltd. as at December 31, 1992 and 1991 and the consolidated statement of operations and retained earnings (deficit) and statement of source and use of cash for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1992 and 1991 and the results of its operations and the changes in the source and use of cash for the years then ended in accordance with generally accepted accounting principles.

March 26, 1993
Calgary, Alberta

Price Waterhouse
Chartered Accountants

CORPORATE INFORMATION

BOARD OF DIRECTORS

Robert W. Lamond¹

Chairman of the Board
President and Chief Executive
Officer of the Company
Calgary, Alberta

Charles A. Teare

Executive Vice President
and Chief Financial Officer
of the Company
Calgary, Alberta

Donald M. Deacon

Independent Businessman
Charlottetown, P.E.I.

Ashley G. Down

Director
M & G Group PLC
London, England

Robert L. McPherson¹

President of Cheetah
Energy Limited
Calgary, Alberta

Edward R.R. Carruthers¹

Partner, Milner Fenerty
Calgary, Alberta

¹ Audit Committee

ABBREVIATIONS

Throughout this report, standard oil
and gas abbreviations have been used.
Their explanation is as follows:

BBLs	Barrels
BBLS/D	Barrels Per Day
MSTB	Thousand Stock Tank Barrels
NGLs	Natural Gas Liquids
MMCF/D	Million Cubic Feet Per Day
MMCF	Million Cubic Feet
BCF	Billion Cubic Feet
TCF	Trillion Cubic Feet

OFFICERS & SENIOR PERSONNEL

Robert W. Lamond

Chairman, President and
Chief Executive Officer

Charles A. Teare

Executive Vice President and
Chief Financial Officer

P. Richard Ewacha

Vice President, Production

C. Steven Cohen

Corporate Secretary

Paul M. Boechler

Controller

Wayne T. Radcliffe

District Land Manager

Sharon P. Runge

District Land Manager

Herbert J. Visscher

District Exploration Manager

Donald K. Clark

Production Manager,
British Columbia

Philip W. Payzant

Production Manager,
Alberta

Kumar Mendis

Accounting Manager

M. Lucy Ionescu

Manager Reservoir Engineering

Michael C.L. Campbell

Assistant Secretary

Russ M. Sych

Senior Production Foreman
Alberta Production Operations

Warren M. Smith

Senior Production Foreman
British Columbia Production
Operations

CORPORATE OFFICE

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LEGAL COUNSEL

Burnet, Duckworth & Palmer
Calgary, Alberta

AUDITORS

Price Waterhouse
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Montreal Trust of Canada
Calgary, Alberta

RESERVE ENGINEERING CONSULTANTS

Fekete Associates Inc.
Calgary, Alberta

SUBSIDIARIES

Europa Oil & Gas Inc.
Calgary, Alberta

STOCK LISTINGS

The Toronto Stock Exchange
Trading Symbol

Common ORB
Preferred series 2 ORB.PRB
Preferred series 3 ORB.PRC

